ONTARIO INTERNATIONAL CORPORATION

ANNUAL REPORT
1985-86

87-05063/

MESSAGE FROM THE CHAIRMAN

I am pleased to present the Annual Report of the Ontario International Corporation for 1985/86. O.I.C.'s Board of Directors and staff are proud of the Corporation's progress.

Several changes were made within the Corporation last year. In June 1985, the Board received the resignation of Mrs. Jean Pigott who had made a valuable contribution to our meetings. On February 1, 1986, Ms. Susan Eng was appointed to the Board. We have already appreciated the experience she has brought to our discussions.

On January 15, 1986, Mr. George S. MacDonell was appointed President and Chief Executive Officer.

During the year, the Board of Directors received and approved a detailed five-year plan for Ontario International Corporation. The strategies and objectives outlined in this plan are challenging and will be attained through hard work and continued co-operation from the public and private sectors.

Finally, I would like to thank the members of the Board of Directors for their support during the year, and to extend a special note of appreciation to the directors serving on the Audit Committee and the Contracts and Procedures Committee. I would also like to thank the staff of Ontario International Corporation for their dedication.

Yours truly,

R. F. Gulliford
Chairman of the Board

September 30, 1986

THE YEAR IN REVIEW

The past year has been a success for Ontario International Corporation and its clients. In terms of assisting our clients to secure new contracts for foreign projects, we have together substantially exceeded our 1985/86 forecast and last year's actual results.

PROJECT VALUE RESULTS

As of March 31, 1986, the end of O.I.C.'s fiscal year, the Corporation was involved in assisting its clients to sign new export contracts totalling $74.3 million, against a forecast for the year of $40.0 million.

Assuming an eight percent net revenue to the province from these contracts, the Corporation's client-assisted marketing efforts resulted in a net revenue of $5.9 million against O.I.C.'s total annual expenditures of $1.7 million.

Where O.I.C. enters into contracts with foreign governments on behalf of its clients on a direct basis, it maintains project accounts separate from its expenditure allocation. Retained earnings in this account increased by $59,565 over the previous year.

MANDATE

The Mandate of the Corporation includes the following:

1. Obtaining Market Intelligence

The Corporation collects and disseminates information on project opportunities including the origin and details of the funding, financing requirements, and foreign competition.

2. Developing a Capability Inventory

O.I.C. has a detailed inventory of expertise and past export performance for Ontario's public and private sectors. This inventory guides the identification of clients for project opportunities.

3. Targeting Markets and Projects

O.I.C. establishes realistic export targets and priorities. Marketing initiatives are designed to pursue projects in a cost-effective and tightly focused way.

4. Providing Export Leadership

The Corporation encourages firms, consortia and public institutions to work together to win contracts for foreign projects.

5. Promoting Ontario's Services

A critical aspect of O.I.C.'s mandate is the export promotion program, including improved communication with foreign buyers, sales missions, seminars, and trade shows.

6. Mobilizing consortia

O.I.C. assists and encourages the development of consortia to pursue foreign projects. This activity includes the identification of potential consortium members and sharing the costs of preparing marketing material and proposals.

7. Strengthening Competitiveness

O.I.C. increases the competitiveness of Ontario bids by sharing with private sector firms the costs involved in the submission of bids on projects.

8. Developing Strategies

O.I.C. provides the information and assistance firms and institutions need to develop their marketing strategies.

9. Prime Contracting

Where it is essential, O.I.C. acts as the prime contractor or consortium leader to the private or public sector.

CLIENTS AND PROJECTS – SOME O.I.C. SUCCESS STORIES

Ontario International Corporation boasts approximately 670 registered client firms and institutions. Most of these organizations are involved in engineering, architecture, management and professional consulting, education and training, and construction.

The competition in international markets is intense. It comes from other advanced countries such as the United States, Japan and countries in western Europe. As well, some developing countries are joining the competition even though they have less sophisticated capabilities. Finally, there is substantial competition from other Canadian provinces.

Over the past five years, O.I.C. has helped the private and public sectors in Ontario to secure 90 international contracts with a total value of some $200 million.

At year end, Ontario firms were pursuing, with O.I.C. support, 161 projects in 60 countries with a total value of $1.56 billion in fees and product sales.

• Markham Electric

This firm has completed a project to supply, supervise and commission three substations in different locations in Honduras. The firm has worked with O.I.C. and the Ministry of Industry, Trade and Technology for over a decade. The help received has included participation in trade missions, advice about industry conditions in Canada and abroad, and support for the production of marketing materials.

• KSI Engineering

O.I.C.'s Export Success Fund assisted this manufacturing firm to successfully pursue a contract to provide processing equipment for sausage production at a meat packaging plant in Sophia, Bulgaria. According to a spokesman for the firm, O.I.C.'s Export Success Fund gives manufacturers the support they need to take the risks involved in trying to get this type of large foreign contract.

• A.R.A. Consultants

This management consulting firm specializing in training and education has just completed a project in which it developed individual training programs for staff from a new university in Nepal. Teachers of mathematics, physics, and library science have spent time at Ontario educational institutions to upgrade their technical skills so they can teach a wider variety of courses at the new university.

• Canedcom International Limited

This training and education consulting firm successfully pursued a training project in Pakistan with O.I.C. support. Funded by the Asian Development Bank, this program helped train maintenance technicians for biomedical equipment.

• International Design Group

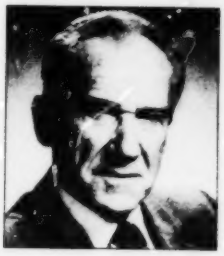
This Toronto-based firm has recently been expanding its international work specializing in designing stores and shopping centres. During the year, International Design Group was awarded a contract for the design of a major shopping centre development in Newcastle, England.

• Educansult

A Canadian government mission to North Yemen helped establish the groundwork, and eventually Educansult obtained the contract to work on developing a new polytechnical institute in Sana'a, the capital of North Yemen. This firm was engaged to do a feasibility study and master plan which included a manpower analysis, space requirements, equipment lists and physical plan.

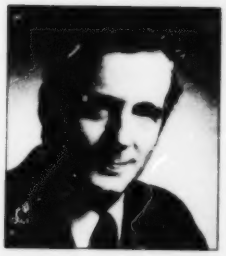
BOARD OF DIRECTORS, 1985-1986

Robert F. Gulliford,
Chairman

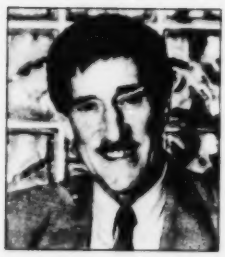


Carl E. Stockman

T. Philip Adams



John Wilson



Ken S. Lawrie

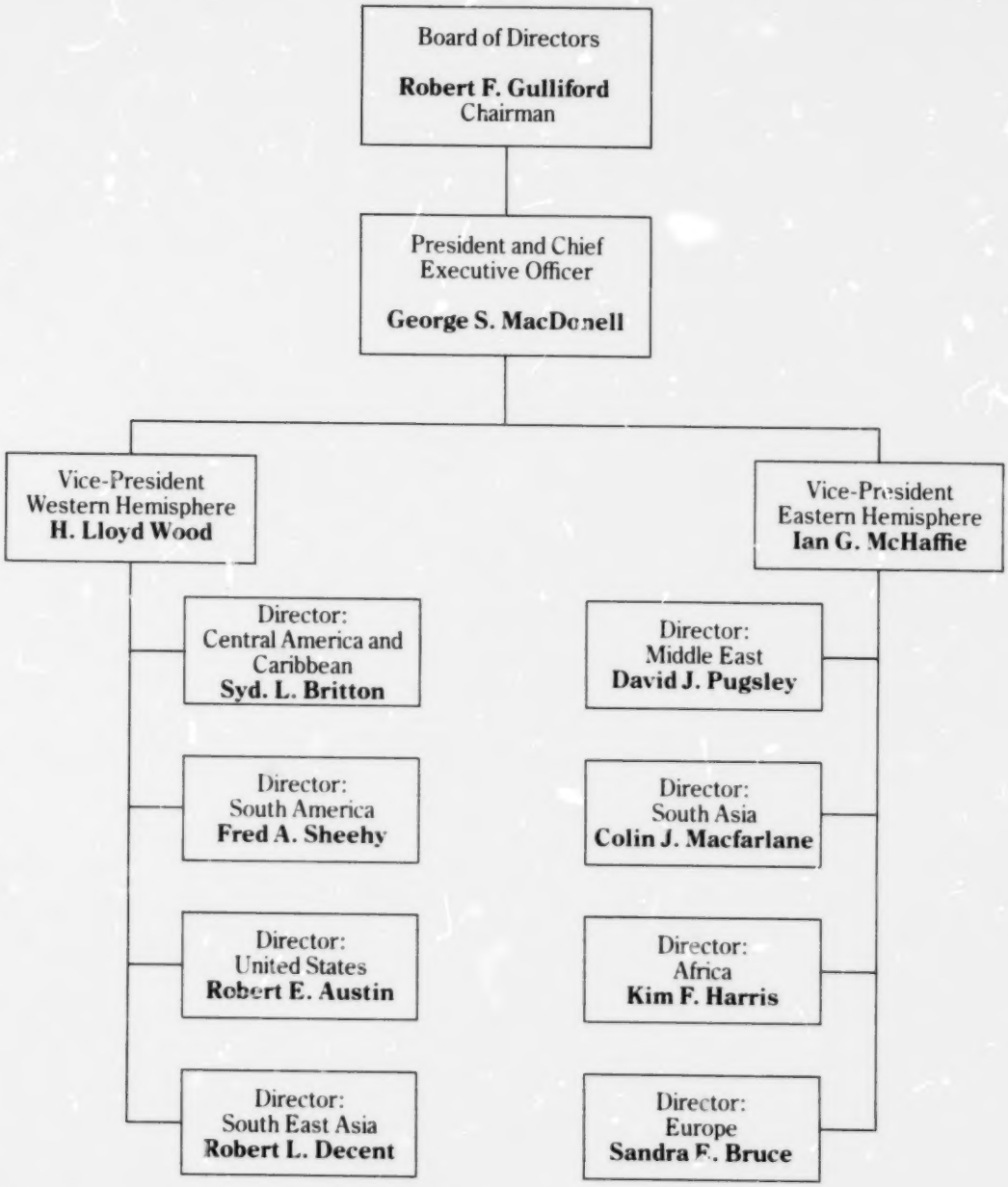
Gerald R. Wooll

Donald D. C. McGeachy

Ms. Susan Eng
appointed February 1, 1986

James W. MacLaren

THE ORGANIZATION



Note: *In March, 1986, OIC was organized as outlined above. Prior to that time, the two divisions had responsibility for Capital Projects and Educational Services, reflecting the organization at the time of the merger of the two predecessor organizations.*

The new organization provides better coverage of markets and integrates service export promotion programs under each geographic area.

FINANCIAL STATEMENTS

BALANCE SHEET
AS AT MARCH 31, 1986

	1986 $	1985 $
Assets		
Cash and short term investments		
• general fund	473,286	509,438
• trust fund	3,110	27,808
Accounts receivable and accrued interest	8,492	140,640
Contracts in process	246,138	255,576
Total assets	731,026	933,462
Liabilities		
Accounts payable and accrued liabilities	5,197	225,786
Trust fund (note 3)	3,110	27,808
Unearned revenue (note 4)	528,940	545,654
Total liabilities	537,247	799,248
Equity		
Retained income	113,855	54,290
Contribution from the Province of Ontario	79,924	79,924
	193,779	134,214
Total liabilities and equity	731,026	933,462

See accompanying notes to financial statements.

On behalf of the Corporation:

Chairman

President

STATEMENT OF OPERATIONS AND RETAINED INCOME FOR THE YEAR ENDED MARCH 31, 1986

	1986 $	1985 $
Contract revenue	312,623	364,740
Contract expenditure	290,235	333,912
Net contract revenue	22,388	30,828
Administrative Expenses		
Salaries and benefits	980,726	904,340
Transportation and communication	326,554	306,633
Services	299,709	281,506
Supplies and equipment	47,022	114,414
	1,654,011	1,606,893
Loss from operations	1,631,623	1,576,065
Other income		
Recovery from the Province of Ontario (note 5)	37,177	23,462
	1,654,011	1,606,893
	1,691,188	1,630,355
Net income	59,565	54,290
Retained income, beginning of year	54,290	—
Retained income, end of year	113,855	54,290

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1986

1. Background

The Ontario International Corporation was constituted on June 16, 1980 by Ontario Regulation 241 pursuant to section 5 of the Development Corporations Act. The Corporation was established without share capital.

Order in Council 400/84 dated February 16, 1984 directed the transfer of all assets and liabilities of the Ontario Educational Services Corporation (OESC) to the Corporation. On February 14, 1986, OESC was officially dissolved.

The objectives of the Corporation now include developing and promoting the export of Ontario goods and services on a competitive basis in domestic and international markets; the study, promotion and assistance of Ontario's educational and training resources for use in the international marketplace, as well as the provision of educational and training services to the private and public sectors, both domestic and international.

2. Significant Accounting Policies

(a) Basis of accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for fixed assets which are expensed when purchased, and administrative expenses which are recognized on a cash basis modified to allow an additional 24 days to pay for goods and services pertaining to the fiscal year just ended.

(b) Contract revenue recognition

The percentage of completion method is used when the degree of completion of a contract can be objectively determined and related expenses can be reasonably estimated. When this is not possible, the revenue is recognized upon completion of the contract.

(c) Contracts in process

Contracts in process are valued at the lower of cost and net realizable value. Costs consist primarily of payments made to subcontractors and suppliers for services rendered and expenditures incurred under the contracts. Payroll and other operating costs of the Corporation are excluded on the basis that they are largely administrative costs and are not normally recoverable under the terms of the contracts.

2. Significant Accounting Policies (Cont'd)

(d) Contribution from the Province of Ontario

The contribution from the Province of Ontario relates to the net assets acquired from the OESC for which no consideration was paid.

3. Trust Fund

The Corporation administers a trust fund on behalf of the Ministry of Education of Oman for payment of all approved educational, living and related miscellaneous expenses of Omani students attending various Ontario universities and colleges.

4. Unearned Revenue

Under the terms of agreements with various foreign governments, amounts totalling $528,940 have been received for services not yet provided.

5. Recovery from the Province of Ontario

Administrative expenses are recovered from the Ministry of Industry, Trade and Technology out of moneys appropriated therefore by the Legislature of the Province of Ontario.

6. Subsequent Event

In June 1986, the Corporation signed a $7.5 million contract with the Canadian International Development Agency to implement a project to assist Zimbabwe in the area of human resources. This contract will be carried out by a consortium led by the Corporation.

Ontario

Office of the
Provincial
Auditor

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416/965-1381

To the Ontario International Corporation and
to the Minister of Industry, Trade and Technology.

I have examined the balance sheet of the Ontario International Corporation as at March 31, 1986 and the statement of operations and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Corporation and to the Minister of Industry, Trade and Technology.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, Ontario,
June 19, 1986.

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Trade and
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